



Premium Levels and Trends in Private Health Insurance Plans: Additional Tables and Figures

Prepared by Dianna Welch, FSA, MAAA,
Oliver Wyman Actuarial Consulting, Inc.

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Commonwealth of Massachusetts
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Executive Office of Health and Human Services
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Division of Health Care Finance and Policy

Table 1: Percent Change in Member Months and Average Group Size in Private Comprehensive Health Insurance Products, 2006-2008

| | 2006 to 2007 | | 2007 to 2008 | |
|----------------|---------------------------------|--------------------------------------|---------------------------------|--------------------------------|
| | Percent Change in Member Months | Percent Change in Average Group Size | Percent Change in Member Months | Percent Change in Average Size |
| Individual | -0.4% | n/a | 42.8% | n/a |
| Small Group | -1.5% | -4.4% | -4.3% | -7.4% |
| Mid-Size Group | -1.3% | 0.1% | -0.7% | -0.5% |
| Large Group | -1.0% | 1.2% | -8.8% | -4.7% |
| Self Insured | 5.6% | 12.4% | 1.9% | -1.2% |
| Total | 1.8% | | -0.8% | |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Note: Average group size is based on the number of enrolled subscribers (employees) per employer group, and not the

Table 2: Average Age and Percent Change in Average Age in Private Comprehensive Health Insurance Products, 2005-2008

| | Average Age | | | | Percentage Change in Average Age | | | Total Change 2005-2008 |
|-------------------|-------------|-------------|-------------|-------------|----------------------------------|-------------|--------------|---------------------------|
| | 2005 | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 | |
| Individual | 36.9 | 36.8 | 37.3 | 37.1 | -0.5% | 1.4% | -0.5% | 0.4% |
| Small Group | 33.1 | 33.3 | 33.5 | 33.7 | 0.8% | 0.6% | 0.7% | 2.0% |
| Mid-Size Group | 32.6 | 33.0 | 33.1 | 33.2 | 1.0% | 0.4% | 0.2% | 1.7% |
| Large Group | 33.3 | 33.4 | 33.7 | 33.7 | 0.4% | 0.7% | 0.1% | 1.1% |
| Total | 33.2 | 33.4 | 33.6 | 33.8 | 0.7% | 0.6% | 0.5% | 1.8% |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Table 3: Average Number of Members per Contract in Private Comprehensive Health Insurance Products, 2005-2008

| | 2005 | 2006 | 2007 | 2008 |
|------------------------|------|------|------|------|
| Individual Pre-Merger | 1.58 | 1.59 | 1.61 | 1.64 |
| Individual Post-Merger | na | na | 1.36 | 1.41 |
| Individual | 1.58 | 1.59 | 1.54 | 1.45 |
| Small Group | 2.05 | 2.04 | 2.06 | 2.06 |
| Mid-Size Group | 2.14 | 2.12 | 2.12 | 2.12 |
| Large Group | 2.19 | 2.19 | 2.20 | 2.18 |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Notes: "Members per contract" measures the average size of families covered by products in each sector. Individual Pre-Merger products are a closed block of products that may continue to be renewed by existing policyholders.

Table 4: Percent Distribution of Enrollment in Private Comprehensive Health Insurance Products by Region, 2008

| Region | Zip Codes | Individual | Small Group | Mid-Size Group | Large Group |
|--------------------|--------------|------------|-------------|----------------|-------------|
| West | 010-013 | 8.0% | 9.7% | 8.8% | 9.1% |
| Central | 014-016 | 10.4% | 11.9% | 11.9% | 6.5% |
| Metro West | 017, 020 | 15.7% | 14.0% | 13.6% | 13.0% |
| Northeast | 018-019 | 18.0% | 18.3% | 17.4% | 11.4% |
| Boston Metro | 021-022, 024 | 27.4% | 31.0% | 34.6% | 49.0% |
| Southeast | 023, 027 | 11.6% | 10.5% | 8.9% | 3.8% |
| Cape Cod & Islands | 025-026 | 7.5% | 4.3% | 1.6% | 1.7% |
| Other | | 1.5% | 0.3% | 3.1% | 5.5% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Notes: Enrollment is measured as member months. The zip code for groups is based on the zip code of the employer and not the member.

Figure 1: Regional Enrollment by Sector, 2008

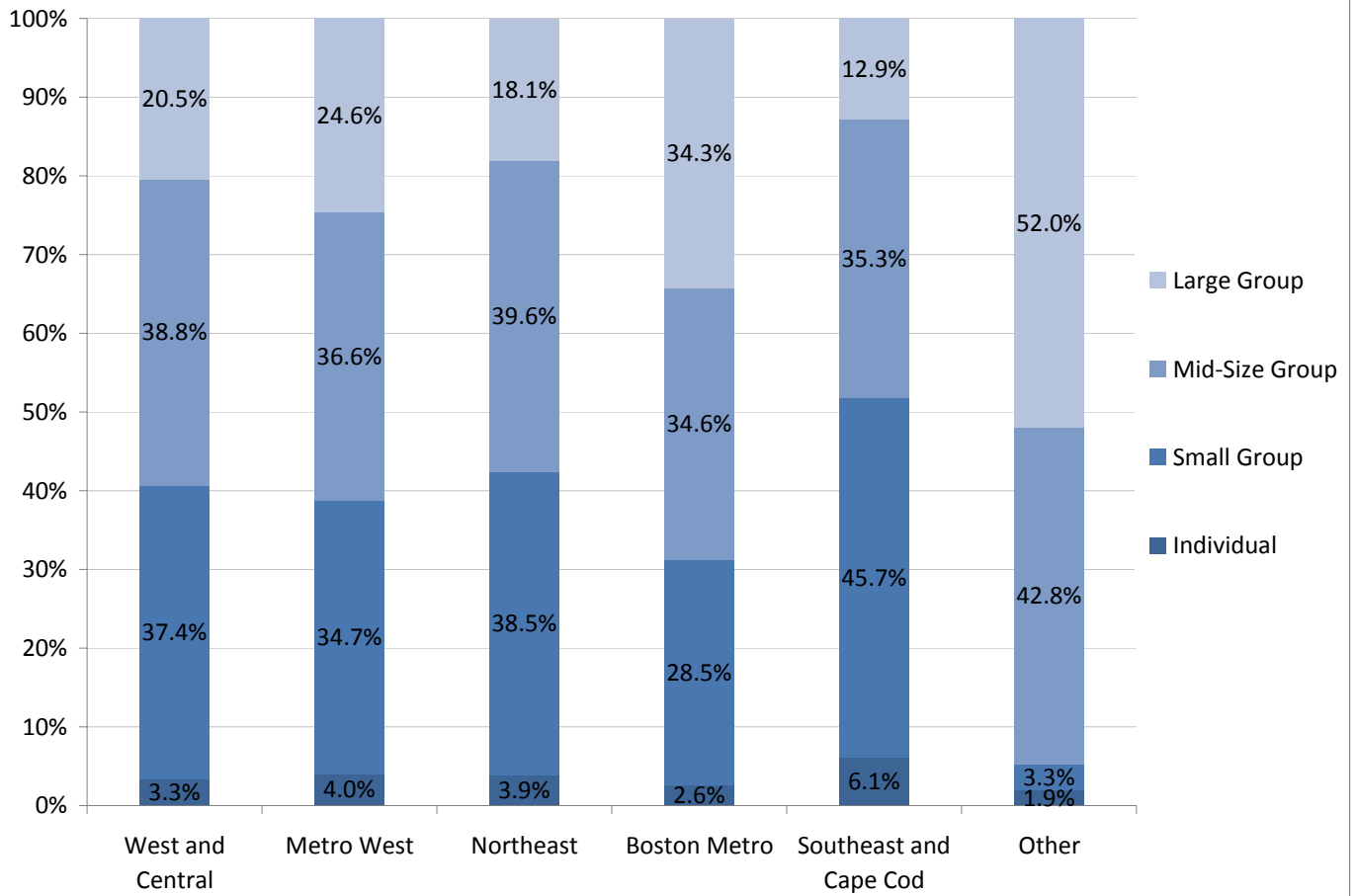


Table 5: Administrative Expense Ratios for Massachusetts Comprehensive Major Medical Products by Insurance Company, 2002-2008

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2002 - 2008 |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------------|
| Aetna Health Inc PA Corp. | 14.8% | 17.5% | 16.4% | 14.4% | 16.0% | 12.4% | 13.1% | 14.6% |
| BCBS of MA | 11.2% | 12.2% | 11.1% | 14.0% | 15.9% | 15.5% | 14.7% | 12.6% |
| BCBS of MA HMO Blue Inc. | N/A | N/A | N/A | 10.3% | 10.4% | 10.3% | 10.6% | 10.4% |
| BCBS of MA Consolidated | 11.2% | 12.2% | 11.1% | 11.2% | 11.6% | 11.5% | 11.5% | 11.5% |
| CIGNA Healthcare of MA Inc. | 13.6% | 11.3% | 11.5% | 8.7% | 13.2% | 12.9% | 12.4% | 12.2% |
| Connecticare of MA Inc. | 12.7% | 12.8% | 12.9% | 18.9% | 18.1% | 17.5% | 18.6% | 16.0% |
| Fallon Community Health Plan Inc. | 8.9% | 9.3% | 7.5% | 8.5% | 8.3% | 8.9% | 8.9% | 8.6% |
| Harvard Pilgrim Health Care Inc. | 10.9% | 10.0% | 12.1% | 14.9% | 14.2% | 12.2% | 10.5% | 12.2% |
| Health New England Inc. | 12.9% | 12.1% | 11.7% | 11.8% | 11.7% | 11.1% | 11.2% | 11.7% |
| Neighborhood Health Plan Inc. | 7.8% | 8.1% | 9.1% | 8.6% | 8.6% | 9.1% | 8.5% | 8.6% |
| Tufts Associated HMO Inc. | 10.1% | 10.3% | 11.4% | 12.4% | 14.7% | 17.2% | 14.7% | 12.6% |
| United Healthcare of New England Inc. | 14.4% | 15.4% | 20.1% | 17.7% | 17.8% | 19.1% | 16.6% | 16.5% |
| Total | 11.4% | 11.8% | 11.9% | 12.4% | 12.9% | 12.3% | 11.8% | 12.1% |

Source: Oliver Wyman analysis of Massachusetts carriers' annual statutory financial statements.

Table 6: Decomposition of Retention Components Used in Pricing Private Comprehensive Health Insurance Products, 2007 and 2009

| | 2Q2007 | | | 2Q2009 | | | Estimated Annual Trend | | |
|--|---------------|--------------------------------|----------------|---------------|--------------------------------|----------------|---|--------------------------------|----------------|
| | Low retention | Average retention ^a | High retention | Low retention | Average retention ^a | High retention | Low retention | Average retention ^a | High retention |
| Retention % | | | | | | | Percentage point change in retention | | |
| Individual | -11.3% | 5.7% | 11.6% | 11.0% | 11.9% | 24.0% | 22.3% | 6.2% | 12.4% |
| Small | 11.0% | 15.9% | 24.0% | 11.0% | 12.4% | 24.0% | 0.0% | -3.5% | 0.0% |
| Mid-Size | 11.0% | 12.3% | 17.7% | 10.7% | 11.3% | 17.7% | -0.3% | -1.0% | 0.0% |
| Large | 8.3% | 10.0% | 17.7% | 8.3% | 9.6% | 17.7% | 0.0% | -0.3% | 0.0% |
| Contribution to Surplus/Profit as Percent of Total Premium | | | | | | | Percentage point change in surplus/profit | | |
| Individual | -19.1% | 2.3% | 3.7% | 1.0% | 3.0% | 6.5% | 20.1% | 0.6% | 2.8% |
| Small | 1.0% | 3.8% | 6.5% | 1.0% | 2.8% | 6.5% | 0.0% | -1.0% | 0.0% |
| Mid-Size | 2.0% | 3.6% | 8.7% | 2.0% | 2.8% | 8.7% | 0.0% | -0.9% | 0.0% |
| Large | 2.0% | 2.7% | 8.7% | 2.0% | 2.2% | 8.7% | 0.0% | -0.4% | 0.0% |
| Contribution to Surplus/Profit as Percent of Total Retention | | | | | | | Percentage point change in surplus/profit | | |
| Individual | 18.2% | 48.9% | 59.7% | 5.4% | 25.0% | 26.9% | -12.7% | -24.0% | -32.8% |
| Small | 5.4% | 23.6% | 26.9% | 5.4% | 22.8% | 26.9% | 0.0% | -0.8% | 0.0% |
| Mid-Size | 15.8% | 29.6% | 49.2% | 16.8% | 24.3% | 49.2% | 1.1% | -5.3% | 0.0% |
| Large | 16.0% | 27.6% | 49.2% | 16.8% | 23.5% | 49.2% | 0.8% | -4.1% | 0.0% |
| Commissions as Percent of Total Premium | | | | | | | Percentage point change in commissions | | |
| Individual | 0.0% | 0.2% | 1.5% | 1.6% | 1.8% | 6.5% | 1.6% | 1.7% | 5.0% |
| Small | 1.0% | 1.8% | 6.5% | 1.6% | 2.1% | 6.5% | 0.6% | 0.3% | 0.0% |
| Mid-Size | 1.2% | 1.5% | 4.0% | 2.0% | 2.4% | 4.0% | 0.8% | 0.9% | 0.0% |
| Large | 0.7% | 1.2% | 3.5% | 0.4% | 1.2% | 4.0% | -0.3% | 0.0% | 0.5% |
| Commissions as Percent of Total Retention | | | | | | | Percentage point change in commissions | | |
| Individual | 0.0% | 1.4% | 13.6% | 13.4% | 15.3% | 29.2% | 13.4% | 13.9% | 15.5% |
| Small | 8.0% | 11.1% | 31.8% | 13.4% | 16.6% | 29.2% | 5.4% | 5.6% | -2.7% |
| Mid-Size | 10.0% | 12.0% | 31.8% | 16.9% | 21.6% | 29.2% | 6.9% | 9.5% | -2.7% |
| Large | 8.0% | 10.8% | 22.5% | 4.8% | 10.5% | 24.6% | -3.2% | -0.3% | 2.1% |
| General Administrative Expense as Percent of Total Premium | | | | | | | Percentage point change in general administrative expense | | |
| Individual | 2.5% | 3.2% | 9.1% | 6.0% | 7.1% | 12.9% | 3.5% | 3.9% | 3.8% |
| Small | 5.0% | 10.3% | 12.9% | 6.0% | 7.5% | 12.9% | 1.0% | -2.8% | 0.0% |
| Mid-Size | 5.0% | 7.1% | 10.3% | 5.6% | 6.1% | 10.3% | 0.6% | -1.0% | 0.0% |
| Large | 4.8% | 6.1% | 9.6% | 4.3% | 6.2% | 9.3% | -0.5% | 0.1% | -0.3% |
| General Administrative Expense as Percent of Total Retention | | | | | | | Percentage point change in general administrative expense | | |
| Individual | 40.3% | 39.7% | 78.5% | 46.0% | 59.7% | 70.1% | 5.7% | 20.0% | -8.3% |
| Small | 45.5% | 65.3% | 70.1% | 46.0% | 60.5% | 70.1% | 0.6% | -4.8% | 0.0% |
| Mid-Size | 33.9% | 58.4% | 68.2% | 33.9% | 54.1% | 63.6% | 0.0% | -4.3% | -4.5% |
| Large | 33.9% | 61.6% | 66.4% | 33.9% | 66.0% | 70.2% | 0.0% | 4.4% | 3.8% |

Source: Oliver Wyman analysis of rating data for insurance carriers in Massachusetts.

Notes: Retention is defined as the portion of premium maintained by the carriers to pay for administrative expenses and contribution to surplus or profit. Retention is equal to 1 minus the loss ratio. While the sum of contribution to surplus or profit, commissions, and general administrative expense is equal to the total retention for a given carrier, the low and high amounts shown are calculated separately for each component across the carriers and, therefore, do not sum to the total. 2Q07 individual products are pre-merger; 2Q2009 individual products include post-merger products only. Post-merger individual and small group values were reported as identical due to the nature of the markets being merged, and not as a reflection of the true cost to administer an individual versus a small group.

^a The average shown is an average of carriers that were able to provide expense components by sector, weighted by membership. The average does not include all carriers with significant market share.

Table 7: Single and Family Premiums for the Most Popular Private Comprehensive Health Insurance Products, 2005-2008

| | 1Q2005 | 3Q2005 | 1Q2006 | 3Q2006 | 1Q2007 | 3Q2007 | 1Q2008 | 3Q2008 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Single premium | | | | | | | | |
| Individual Post-Merger | | | | | | | | |
| Low | na | na | na | na | na | \$266 | \$283 | \$310 |
| Median | na | na | na | na | na | \$316 | \$331 | \$413 |
| High | na | na | na | na | na | \$558 | \$589 | \$626 |
| Small Group | | | | | | | | |
| Low | \$297 | \$313 | \$316 | \$328 | \$351 | \$350 | \$373 | \$356 |
| Median | \$354 | \$362 | \$378 | \$396 | \$412 | \$419 | \$445 | \$460 |
| High | \$388 | \$405 | \$439 | \$460 | \$484 | \$456 | \$482 | \$515 |
| Mid-Size Group | | | | | | | | |
| Low | \$278 | \$293 | \$296 | \$307 | \$329 | \$338 | \$338 | \$344 |
| Median | \$356 | \$375 | \$381 | \$382 | \$408 | \$418 | \$421 | \$437 |
| High | \$410 | \$435 | \$447 | \$450 | \$480 | \$521 | \$470 | \$509 |
| Large Group | | | | | | | | |
| Low | \$297 | \$313 | \$320 | \$328 | \$351 | \$360 | \$383 | \$390 |
| Median | \$379 | \$398 | \$401 | \$404 | \$429 | \$451 | \$445 | \$469 |
| High | \$420 | \$445 | \$457 | \$463 | \$494 | \$537 | \$497 | \$525 |
| Family Premium | | | | | | | | |
| Individual Pre-Merger | | | | | | | | |
| Low | n/a | n/a | n/a | n/a | n/a | \$705 | \$749 | \$809 |
| Median | n/a | n/a | n/a | n/a | n/a | \$814 | \$858 | \$1,084 |
| High | n/a | n/a | n/a | n/a | n/a | \$1,485 | \$1,567 | \$1,666 |
| Small Group | | | | | | | | |
| Low | \$926 | \$947 | \$976 | \$962 | \$1,073 | \$1,083 | \$1,156 | \$1,080 |
| Median | \$968 | \$978 | \$1,030 | \$1,082 | \$1,143 | \$1,146 | \$1,181 | \$1,249 |
| High | \$1,017 | \$1,073 | \$1,117 | \$1,171 | \$1,231 | \$1,227 | \$1,305 | \$1,362 |
| Mid-Size Group | | | | | | | | |
| Low | \$745 | \$786 | \$795 | \$824 | \$883 | \$906 | \$906 | \$922 |
| Median | \$931 | \$981 | \$1,014 | \$1,021 | \$1,090 | \$1,118 | \$1,118 | \$1,161 |
| High | \$1,104 | \$1,171 | \$1,201 | \$1,205 | \$1,241 | \$1,327 | \$1,231 | \$1,318 |
| Large Group | | | | | | | | |
| Low | \$795 | \$840 | \$859 | \$879 | \$942 | \$967 | \$1,028 | \$1,045 |
| Median | \$979 | \$1,029 | \$1,070 | \$1,074 | \$1,131 | \$1,192 | \$1,188 | \$1,253 |
| High | \$1,129 | \$1,198 | \$1,229 | \$1,233 | \$1,270 | \$1,367 | \$1,303 | \$1,336 |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Table 8: Single and Family Premiums for the Lowest-Cost Private Comprehensive Health Insurance Products, 2005-2008

| | 1Q2005 | 3Q2005 | 1Q2006 | 3Q2006 | 1Q2007 | 3Q2007 | 1Q2008 | 3Q2008 |
|------------------------|----------|----------|----------|----------|----------|------------|----------|------------|
| Single premium | | | | | | | | |
| Individual Post-Merger | | | | | | | | |
| Low | na | na | na | na | na | \$279 | \$297 | \$302 |
| Median | na | na | na | na | na | \$306 | \$321 | \$327 |
| High | na | na | na | na | na | \$407 | \$348 | \$405 |
| Small Group | | | | | | | | |
| Low | \$248 | \$260 | \$221 | \$233 | \$225 | \$225 | \$240 | \$246 |
| Median | \$291 | \$299 | \$291 | \$294 | \$308 | \$255 | \$263 | \$268 |
| High | \$361 | \$343 | \$341 | \$357 | \$374 | \$316 | \$302 | \$350 |
| Mid-Size Group | | | | | | | | |
| Low | \$234 | \$246 | \$210 | \$220 | \$213 | \$219 | \$232 | \$240 |
| Median | \$283 | \$284 | \$281 | \$272 | \$289 | \$280 | \$267 | \$273 |
| High | \$377 | \$354 | \$324 | \$320 | \$345 | \$296 | \$305 | \$347 |
| Large Group | | | | | | | | |
| Low | \$240 | \$252 | \$214 | \$225 | \$218 | \$224 | \$209 | \$211 |
| Median | \$287 | \$290 | \$288 | \$278 | \$296 | \$278 | \$269 | \$275 |
| High | \$374 | \$351 | \$322 | \$324 | \$342 | \$305 | \$314 | \$357 |
| Family Premium | | | | | | | | |
| Individual Pre-Merger | | | | | | | | |
| Low | n/a | n/a | n/a | n/a | n/a | \$727.83 | \$774.78 | \$796.23 |
| Median | n/a | n/a | n/a | n/a | n/a | \$819.20 | \$851.20 | \$867.41 |
| High | n/a | n/a | n/a | n/a | n/a | \$1,068.71 | \$885.14 | \$1,032.27 |
| Small Group | | | | | | | | |
| Low | \$737.68 | \$694.91 | \$662.64 | \$653.64 | \$746.99 | \$667.05 | \$684.09 | \$687.80 |
| Median | \$800.72 | \$817.60 | \$793.12 | \$816.33 | \$821.82 | \$719.45 | \$707.51 | \$726.14 |
| High | \$957.51 | \$910.03 | \$898.00 | \$935.98 | \$981.05 | \$827.84 | \$839.37 | \$891.73 |
| Mid-Size Group | | | | | | | | |
| Low | \$628.89 | \$660.55 | \$561.93 | \$591.27 | \$572.11 | \$587.30 | \$607.49 | \$632.96 |
| Median | \$734.87 | \$752.60 | \$750.50 | \$732.12 | \$760.80 | \$745.27 | \$711.84 | \$728.79 |
| High | \$998.87 | \$938.69 | \$859.21 | \$839.17 | \$914.37 | \$794.40 | \$776.36 | \$882.24 |
| Large Group | | | | | | | | |
| Low | \$642.71 | \$675.06 | \$574.28 | \$604.27 | \$584.69 | \$600.21 | \$548.63 | \$553.78 |
| Median | \$744.24 | \$771.83 | \$766.88 | \$748.15 | \$777.46 | \$741.15 | \$717.30 | \$734.45 |
| High | \$991.15 | \$931.43 | \$852.56 | \$848.71 | \$907.30 | \$812.42 | \$799.51 | \$908.54 |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Table 9: Member Months, Unadjusted Premiums^a, 2006-2008

| | 2006 | | | 2007 | | | 2008 | | | | | |
|------------------------|----------------------------|-----------------------------|---------------------------------------|----------------------------|-----------------------------|---------------------------------------|----------------------------|-----------------------------|---------------------------------------|------|--------|---|
| | Member Months (000s) | Total Premium (millions) | Premium per Member per Month | Member Months (000s) | Total Premium (millions) | Premium per Member per Month | Member Months (000s) | Total Premium (millions) | Premium per Member per Month | 2007 | 2008 | Average Annual Growth, 2006-2008 |
| Individual Pre-Merger | 599.0 | \$261.5 | \$437 | 446.2 | \$210.8 | \$472 | 170.8 | \$91.5 | \$535 | 8.2% | 13.3% | 10.8% |
| Individual Post-Merger | na | na | n/a | 150.2 | \$55.9 | \$372 | 679.8 | \$245.0 | \$360 | n/a | -3.2% | n/a |
| Individual Total | 599.0 | \$261.5 | \$437 | 596.5 | \$266.8 | \$447 | 850.6 | \$336.5 | \$396 | 2.5% | -11.5% | -4.8% |
| Small Group | 8,432.5 | \$2,730.4 | \$324 | 8,314.7 | \$2,891.2 | \$348 | 7,971.3 | \$2,921.8 | \$367 | 7.4% | 5.4% | 6.4% |
| Mid-Size Group | 9,222.4 | \$2,972.1 | \$322 | 9,091.9 | \$3,113.5 | \$342 | 9,022.0 | \$3,248.8 | \$360 | 6.3% | 5.2% | 5.7% |
| Large Group | 6,995.4 | \$2,381.3 | \$340 | 6,876.5 | \$2,518.8 | \$366 | 6,234.3 | \$2,423.1 | \$389 | 7.6% | 6.1% | 6.9% |
| Total | 25,249.4 | \$8,345.3 | \$331 | 24,879.6 | \$8,790.2 | \$353 | 24,078.2 | \$8,930.2 | \$371 | 6.9% | 5.0% | 5.9% |

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Notes: Only carriers included in Chapter 3 are included in this analysis. Individual Pre-Merger products are a closed block of products that may continue to be renewed by existing policyholders. Trend rates

^a Premiums are unadjusted for differences in demographics and benefits.

Division of Health Care Finance and Policy
Two Boylston Street
Boston, Massachusetts 02116

Phone: (617) 988-3100
Fax: (617) 727-7662

Website: www.mass.gov/dhcfp

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